EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

IN RE PHARMACEUTICAL	)	
INDUSTRY AVERAGE WHOLESALE	)	MDL No. 1456
PRICE LITIGATION	)	Civil Action: 01-CV-12257-PBS
THIS DOCUMENT RELATES TO	)	
ALL CLASS ACTIONS	)	

Deposition of MIKE BEADERSTADT, taken before GREG S. WEILAND, CSR, RMR, CRR, Notary Public, pursuant to the Federal Rules of Civil Procedure for the United States District Court pertaining to the taking of depositions, at Suite 300, 1630 Fifth Avenue, in the City of Moline, Illinois, commencing at 9:07 o'clock a.m., on the 17th day of September, 2004.

started insisting that they be sourced from that supplier.

Q. So prior to 1999, doctors had the option of utilizing that alternative to the buy-and-bill methodology, and it was starting in 1999 that John Deere required that?

A. Yes, approximately '99.

MR. HAAS: Okay. I have no further questions.

MS. MacMENAMIN: I actually have some follow-up questions for Mr. Beaderstadt. I didn't know you were going to go straight there. And one follow-up question for Carol, for Ms. Sidwell.

(Whereupon, an off-the-record discussion was held.)

EXAMINATION

BY MS. MacMENAMIN:

Q. All right. Mr. Beaderstadt, can I ask you generally, what is your understanding of the term average wholesale price?

A. Generally my understanding is that it's a benchmark that we use to price specific drugs in the

physician's office and the pharmacies.

Q. Do you understand it to have a relationship to any actual acquisition cost?

A. I don't believe it has any relationship that is a consistent relationship.

Q. Are you aware of who establishes or sets AWP?

A. I don't know exactly how it's established. I know that we get different numbers from a variety of sources.

Q. In your time at John Deere, was it ever your responsibility or your role to negotiate pharmacy reimbursement contracts?

A. Indirectly in my oversight of Carol's role.

Q. Was it ever your role to negotiate rebates or discounts with drug manufacturers?

A. Once again, indirectly.

Q. Was it ever your role or responsibility to negotiate contracts with PBMs?

A. No.

Q. In your oversight of the pharmacy and

ever doubted AWP as an accurate source for reimbursement?

MR. HAAS: Objection to form.

THE WITNESS: We have never used AWP in the pharmaceutical world as a source for reimbursement. We have used it as a source to calculate our reimbursement.

BY MS. MacMENAMIN:

Q. Correct. Have you ever doubted AWP as a basis or benchmark for reimbursement in the pharmacy world?

A. My perspective is that we always try to get that price as low as possible that still puts together a reasonable network, and we'd go to minus 25 percent and nobody would sign it and we'd try minus 13 percent and everybody signed up, so we knew we had to have it somewhere in between there. And minus 20 is our latest venture there, and that has produced some headaches for us, but we have been able to put together a reasonable network based on that.

So again, it's simply a basis for

negotiation, and we try to do as well as we can to lower our costs for acquiring those drugs.

Q. I want to skip to part of your testimony regarding certain drugs called Remicaid, Lupron and Synagis I believe it's called.

A. Yes.

Q. And at some point there was a change in the reimbursement benchmark for these drugs.

Can you tell me, can you first of all just describe for me that change and what went on?

A. Essentially, and again I'm recalling here something that I wasn't directly involved in, but we knew that we could acquire that drug. Those are very expensive, high-cost drugs that are used in very specific cases, very specific diseases. Most of those patients who require those drugs are going through our case management program, being medically managed in some other fashion.

So rather than purchase those at prices that we would pay under our physician contracts, we made the decision that we wanted to source those drugs exclusively from specialty pharmacy

EXHIBIT 2

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

IN RE: PHARMACEUTICAL INDUSTRY AVERAGE WHOLESALE PRICE LITIGATION — MDL NO. 1456

THIS DOCUMENT RELATES TO:
ALL CLASS ACTIONS — MASTER FILE NO. 01-CV-12257-PBS

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF MARICOPA

ROBERT J. SWANSTON, INDIVIDUALLY AND ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED — PLAINTIFF

VERSUS — NO. CV2002-004988

TAP PHARMACEUTICAL PRODUCTS, INC.; ET AL. — DEFENDANTS

****

DEPOSITION OF MICKEY BROWN

****

APPEARANCES NOTED HEREIN
TAKEN AT INSTANCE OF: DEFENDANTS
DATE: MARCH 9th, 2005
PLACE: BRUNINI, GRANTHAM, GROWER & HEWES
POST OFFICE DRAWER 119
JACKSON, MISSISSIPPI 39205-0119
TIME: 10:00 a.m.

actually change as needed throughout the course of an individual year.

Q Can the methodology be reduced to a -- to a formula?

A No.

Q How -- how is the -- what is the methodology? Is it -- for example, is it linked to AWP? Is it linked to some other benchmark or --

MS. FEGAN: Objection to form.

MR. ROBBEN: (Continuing.)

Q You can answer.

A Okay. Again, we use -- as I said in the earlier part of the deposition, we use AWP as a reference point. Reimbursement is established based on -- based on our needs as a company to present fair and reasonable reimbursement to the provider community and fair and reasonable reimbursement to Blue Cross/Blue Shield of Mississippi and our subscribers.

We do use AWP as a point of reference. We -- we reimburse for physician-administered pharmaceuticals, in the physician's office using the

various HCPC codes assigned to the type of service they provide. You know, a HCPC code, a J code, and I believe a G code -- there's a few other types of HCPC codes -- can have multiple drugs assigned to that -- to that -- to that J code or other HCPC code.

And -- and we will choose either -- we'll choose the lesser of the lowest-priced brand using AWP for the -- to determine that or the low -- or the median generic, whichever is less. And then we apply some -- either a markup or markdown, just depending on our business need, to produce fair reimbursement to the folks I mentioned earlier.

So it's -- it's used in the calculation as a point of reference, a starting point for us to develop what we think is fair to the physician community, to Blue Cross to our subscribers.

Q Okay. Let me -- let me back up a little bit, because I think you said a lot of things there, and I want to understand it correctly.

Now, am I correct that when you -- that doctors submit their claims for drugs that they

administer by J code?

A Or other HCPC code. There are other HCPC codes that --

Q That might take in --

A That might take into account an injectable drug or a physician-administered drug.

Q Okay. Now, when you get that claim in with that code, what's your next step?

A We have a set allowance for that particular HCPC code. We apply that allowance to the claim, then apply the subscriber's benefits, and we process the claim. Now, the -- the technical of how that flows, I'm not -- definitely not an expert in that area, but that's generally how it works.

Q Okay. How do you --

A So we have an established allowance for that.

Q Okay. How do you establish that allowance amount?

A We take the -- using the J code and a crosswalk to the NDC number for all of the drugs that -- that tie to that J code, we take the median

generic or the lowest brand, whichever is less, and then we apply either a markup or a markdown, just depending on -- again, back to fair and reasonable reimbursement and what's acceptable in our marketplace.

Q Okay. Now, when you say you take the lowest brand of the median generic, you're talking about the lowest brand or median generic's AWP?

A Correct.

Q Now -- now, what's your source for the AWP?

A I believe it's Red Book.

Q Okay. Now, when you're dealing with generics, where do you find the median generic price?

A Every -- every NDC number ties to a J code in that range of drugs. So we take the average wholesale price for all of those national drug code numbers, and we determine the median internally.

Q So it's something you do in-house?

A Correct.

Q Okay. So, for example, I know, just

answer that because I'm not faced with that decision.

I don't know how -- I don't know that the practice happens or is prevalent or how that affects what is fair and reasonable. All of those questions would have to be answered before I think I could answer the question that you've asked.

MR. MANGI: (Continuing.)

Q Do you know whether or not physicians contract in any cases with manufacturers to get rebates and discounts on drugs?

A I don't have any idea.

Q Now, I believe you agreed earlier that acquisition costs for drugs could vary from physician to physician, correct?

A I think what I said is that I didn't know whether it did or didn't. My assumption would be that it does. But I don't know whether it does or doesn't.

Q Well, certainly, we can agree that the AWP for any given drug bears no fixed relationship to acquisition costs for that drug, correct?

A As I've said before, I don't know where average wholesale price comes from. So the relation of average wholesale price to acquisition cost is not something that I'm familiar with. So I don't know that I can agree or disagree with your statement.

Q Then it's certainly fair to say you have no particular expectation that there will be a fixed relationship between AWP and acquisition cost?

MS. FEGAN: Objection to form.

A Average wholesale price is a point of reference that we use. It's relation to acquisition cost, I'm not familiar with. So, I mean, I don't have an expectation one way or the other on that.

MR. MANGI: (Continuing.)

Q Certainly, you don't have an expectation that acquisition costs will be 20 percent less than AWP, 40 percent, 80 percent. You just have no expectation at all about that; is that a fair statement?

MS. FEGAN: Objection to form.

A I mean, I -- all I can -- all I can

answer to answer honestly is I have no understanding of the relation between the two. And to speculate on, you know, what is and what isn't the relationship, I'm not comfortable doing.

MR. MANGI: (Continuing.)

Q So it's fair to say, then, certainly you have no expectation of what the relationship is either, correct?

A I think it's fair to say I don't know what the relationship between the two is. And we strictly use AWP as a point of reference, and that's really all I feel comfortable responding to.

Q On a separate note, you mentioned that CMS fee schedules are used as a point of reference in generating your fee schedules, correct?

A I said it is another source that we look at just so that we have an understanding of what's going on in the marketplace. It's not a point of reference in the same sense that average wholesale price is. Our -- our reimbursement is not based on what Medicare's reimbursement is.

Q Do you -- does Blue Cross/Blue Shield of

EXHIBIT 3

IN THE DISTRICT OF MASSACHUSETTS

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IN RE:	:	
PHARMACEUTICAL INDUSTRY		MDL No. 1456
AVERAGE WHOLESALE PRICE	:	01-CV-1225
LITIGATION		

30(b)(6) DEPOSITION OF: IHC HEALTH PLANS

ERIC CANNON

-O-

Place:	IHC Health Plans
	4646 West Lake Park Blvd.
	Salt Lake City, Utah 84120
Date:	September 13, 2004
	9:40 a.m.
Reporter:	Vickie Larsen, CSR/RPR

-O-

Medispan that include pricing information. We talk with vendors about pricing changes, price increases. We receive from manufacturers notification when prices are raised.

We track closely the number of manufacturers that may be selling a generic product that would indicate price competition in a specific category. We monitor communications that may take place through newsletter groups or journal articles or internet or wherever information -- wherever we can find information, we'll take it.

Q. One of the things that you mentioned is that you keep track of the number of companies selling generic products?

A. Yes.

Q. Why is the number of companies selling a generic product important?

A. The number of companies selling a generic product is important to us in that as the number of companies selling a particular product increases, so does competition. Generally speaking as price or as competition increases within a category, the price

then begins to drop.

Q. Are you familiar with the term "AWP" or "average wholesale price" in the context of prescription drugs?

A. Yes, I am.

Q. And you mentioned that you subscribe to First Data Bank and/or Medispan databases; is that correct?

A. Yes.

Q. Are AWPs published in those?

A. Yes.

Q. Are AWPs for generic products also published?

A. Yes.

Q. In your experience does the AWP for a generic product tend to decrease when additional sellers of generic products enter the market?

A. No, it does not.

MR. EVERETT: Let's go off the record.

(There was a break taken.)

MR. EVERETT: Let's go back on the record.

EXHIBIT 4

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

MDL No. 1456

C.A. No. 01-CV-12257-PBS

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IN RE: PHARMACEUTICAL INDUSTRY *

AVERAGE WHOLESALE PRICE LITIGATION *

_____ *

THIS DOCUMENT RELATES TO ALL ACTIONS *

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VOLUME I

DEPOSITION OF JAN L. COOK, M.D., a witness called on behalf of Johnson & Johnson, pursuant to the Federal Rules of Civil Procedure, before Jessica L. Williamson, Registered Merit Reporter, Certified Realtime Reporter and Notary Public in and for the Commonwealth of Massachusetts, at the Offices of Robins, Kaplan, Miller & Ciresi L.L.P., 800 Boylston Street, Boston, Massachusetts, on Wednesday, March 6, 2006, commencing at 9:37 a.m.

relationship between the price at which they acquire drugs and the amounts they reimburse, if any?

MR. COCO: Objection.

A. I'm only aware of what our payment policy is. I'm not aware of what people in general are paying for their drugs.

Q. So is the answer to my question that you have no understanding or expectation as to the relationship between the price that they pay to acquire drugs and the amount that they're reimbursed for drugs?

MR. COCO: Objection.

A. Yeah.

Q. Now, let me mark a document. This will be Exhibit Cook 002.

(Exhibit Cook 002, Document Bates-numbered BCBSMA-AWP-12489 - 12492, marked for identification.)

(Discussion off the record.)

Q. Now, there are a number of e-mails on this chain. I'll draw your attention to specific

EXHIBIT 5

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

In Re: PHARMACEUTICAL INDUSTRY AVERAGE WHOLESALE PRICE LITIGATION	MDL No. 1456 CIVIL ACTION NO. 01-CV-12257-PBS
THIS DOCUMENT RELATES TO ALL ACTIONS	

30(b)(6) DEPOSITION OF DAN DRAGALIN, M.D.
New York, New York
Friday, September 17, 2004

the actual drug, it would be more palatable.

Q. And did any payors, to your knowledge, actually go in that direction?

A. Not through us. They might have through their own primary networks, but not through us.

Q. Did any payors say something along the lines of yes, we understand that we're providing a margin on a drug to compensate these providers for their services?

A. Yeah, they all agreed to that. It's the size of the margin that's the issue here. Well, the size and the variability of the margin, I should say.

Q. Is it fair to say that different payors had different expectations of what those margins should be?

A. Yes.

Q. I would like to move on to a second e-mail here, this one is on page 12, and it's the second e-mail, actually, on the page from you to a group of people beginning with Andrea Rowe, and

EXHIBIT 6

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

CERTIFIED COPY

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In re: PHARMACEUTICAL :MDL DOCKET NO.

INDUSTRY AVERAGE WHOLESALE :CIVIL ACTION

PRICE LITIGATION :01CV12257-PBS

- - - - - - - - - - - - - - - - - - - x,

Tuesday, November 23, 2004

Washington, D.C.

HIGHLY CONFIDENTIAL

Deposition of KELLY ELLSTON, commencing at 9:59 a.m., held at the offices of Morgan, Lewis & Bockius, 1111 Pennsylvania Avenue, N.W., Washington, D.C., before Keith Wilkerson, a notary public in and for the District of Columbia.

A. That's correct, between the PPO and the provider.

Q. Now, based on the fact that Union Labor Life does not know what physicians' acquisition costs are, is it fair to say that Union Labor Life does not know how much money physicians are or are not making in relation to drugs they administer in office?

A. That's correct.

Q. Union Labor Life does not know how much of a loss they're taking or how much of a profit they're making?

A. That's correct.

Q. And it would be fair to say that Union Labor Life certainly does not have a particular percentage expectation of the amount of profit that a physician may be making. Correct?

A. No.

Q. It would be impossible to say that Union Labor Life expects that they'll make a percentage profit of 5 percent, 10 percent, 20 percent, 30 percent, 40 percent?

A. That's not in our calculations.

Q. That's something that is entirely irrelevant to Union Labor Life's calculations of the amounts that it's going to reimburse. Is that correct?

A. Correct.

Q. Now, we spoke about instances where billing is a percentage of charges.

A. Yes.

Q. I just want to be clear here. Do physicians bill based on a fee schedule or on a percentage of bill charges or either?

A. It could be either.

Q. Do you have any knowledge as to how physicians would arrive at the amounts billed when they're not using a fee schedule?

A. Well, generally the physician doesn't derive what they bill based on percentage of savings or fee schedules. To my knowledge, the physician's billing is completely up to how they decide to set their prices. It's how they're reimbursed is the percentage of savings or the fee schedule. Billing, they can charge what they charge.

EXHIBIT 7

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS
NO. 01CV12257-PBS

In re: PHARMACEUTICAL)
INDUSTRY AVERAGE WHOLESALE)
PRICE LITIGATION)
)
THIS DOCUMENT RELATES TO:)
ALL ACTIONS)

DEPOSITION OF ROBERT C. FARIAS, called as a witness by and on behalf of the Defendants, pursuant to the applicable provisions of the Federal Rules of Civil Procedure, before P. Jodi Ohnemus, Notary Public, Certified Shorthand Reporter, Certified Realtime Reporter, and Registered Merit Reporter, within and for the Commonwealth of Massachusetts, at the offices of Harvard Pilgrim Health Care, 93 Worcester Road, Wellesley, Massachusetts, on Wednesday, 20 October, 2004, commencing at 10:05 a.m.

Q. So, if a physician were committing a crime and billing for a drug that he had got as a free sample, Harvard Pilgrim would still reimburse him, but would hope that the authorities would catch up with him, right?

A. I think that's safe to say.

Q. And Harvard Pilgrim doesn't have any knowledge about what providers' acquisition costs are, right?

A. No.

Q. Doesn't require them to disclose those.

A. No.

Q. And if it learned that those were higher or lower than it currently thinks they are, that wouldn't change the fact that it reimburses that methodology, which is 95 percent of AWP?

A. Correct.

Q. Indeed, if it learned that in a particular instance physicians were getting a particular drug at a -- were getting a rebate or a discount from a manufacturer on a particular drug, that wouldn't change the fact that Harvard Pilgrim's standard

across the board methodology is 95 percent of AWP?

A. Correct.

MR. NALVEN: Objection.

MR. MANGI: That's it.

MR. NALVEN: I have nothing further.

THE WITNESS: Okay. Great.

(Whereupon the deposition ended at 12:52 p.m.)

EXHIBIT 8

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

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In re: PHARMACEUTICAL INDUSTRY AVERAGE WHOLESALE PRICE LITIGATION

MDL DOCKET NO.
CIVIL ACTION
01CV12257-PBS

THIS DOCUMENT RELATES TO:
ALL ACTIONS

- -x

CONFIDENTIAL TRANSCRIPT

1340 Concord Terrace
Third Floor
Sunrise, Florida
September 20, 2004
9:20 a.m. - 1:05 p.m.

DEPOSITION OF HAL GOLDMAN, PHARM D., R.Ph.

Taken before LISA EDWARDS, Registered Merit Reporter and Notary Public for the State of Florida at Large, pursuant to Notice of Taking Deposition filed in the above cause.

other?

A. The oncologist will get maybe a different fee because theirs are maybe more high tech than a rheumatologist who's doing an infustion for arthritis. So there may be some differences based on the contract language.

It may even vary in an oncologist's language if it's a high-tech infusion versus a lower-tech infusion. And those can get spelled out a whole host of ways depending upon the type of product we have.

Q. Which factors does Vista consider in setting the infusion fee that it pays to providers?

A. Based on the knowledge I have, it's based on what we actually discussed. It's based on a physician's practice location, do we need that physician in our network, and how important is he to participate in our drug replacement program based on our purchasing power with volume.

Q. Does Vista ever consider whether it's necessary to increase the amount of the infusion fee to keep a doctor who may already be in the network from referring people to hospitals to get injectable drugs?

A. You always want to do things that are office-based that can be done in an office. So I think that would be a factor that might be considered. Here again, it also depends on, do we have 20 doctors in that geographic location that we could just decide to remove the doctor from our panel and refer that line of business somewhere else?

Q. Why is it that Vista wants to always, if possible, do these sorts of services in the provider offices?

A. There's probably a couple of reasons for that. Number one, of course, there is a higher cost of doing an infusion in an outpatient or hospital setting. There's also a time for a member. Traditionally, with infusions in a physician's office you don't have the long waiting period; so less time lost from work, less time lost from family time.

The third thing is, putting somebody into an infusion center or a hospital to get an infusion exposes them to a lot more germs than you do in a doctor's office. So then you're increasing the risk of how you're getting what we call an invasive procedure, which

EXHIBIT 9

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

MDL No. 1456

C.A. No. 01-CV-12257-PBS

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IN RE: PHARMACEUTICAL INDUSTRY *

AVERAGE WHOLESALE PRICE LITIGATION *

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THIS DOCUMENT RELATES TO ALL ACTIONS *

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VOLUME I

DEPOSITION OF LISA M. GORMAN, a witness called on behalf of Johnson & Johnson, pursuant to the Federal Rules of Civil Procedure, before Jessica L. Williamson, Registered Merit Reporter, Certified Realtime Reporter and Notary Public in and for the Commonwealth of Massachusetts, at the Offices of Robins, Kaplan, Miller & Ciresi L.L.P., 800 Boylston Street, Boston, Massachusetts, on Tuesday, March 7, 2006, commencing at 9:00 a.m.

Q. Okay. Now, earlier in the day you also testified that you don't know as a general matter what exactly physicians paid to acquire drugs, right?

A. Yes. It's not part of my job responsibility.

Q. Okay. So you do have an understanding here that different doctors may have paid different rates, but your testimony is that you don't know what the rates are that any doctors pay to acquire drugs?

A. That's true, yeah.

Q. So you have no understanding or expectation, then, as to what the relationship is between doctors' acquisition prices for drugs and the amounts that they are reimbursed for drugs?

MR. COCO: Objection.

A. I don't know, no.

Q. So your answer is that you have no such understanding or expectation?

A. I don't, yeah.

MR. MANGI: Let's mark the next

EXHIBIT 10

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

No. 01CV12257-PBS

****

IN RE: PHARMACEUTICAL INDUSTRY AVERAGE WHOLESALE PRICE LITIGATION

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DEPOSITION OF THOMAS E. GREENEBAUM, taken pursuant to the Federal Rules of Civil Procedure, at CIGNA Headquarters, 900 Cottage Grove Road, South Building, Bloomfield, CT, before Diana M. Noel, a Registered Professional Reporter, Certified Realtime Reporter, and Licensed Shorthand Reporter No. 199, in and for the State of Connecticut, on Friday, January 14, 2005, commencing at 9:40 AM.

what AWP is. We use it as an industry standard benchmark that has been out there for years, and so that's how we set up, how we sell and pay for services, and we use, you know, our negotiating skills in terms of what we buy from manufacturers. We do use WAC as a relationship when we purchase from a wholesaler only. Otherwise, I really don't deal with WAC at all.

(The Court Reporter marked the question.)

Q. I was also asking in addition to the question about WAC, I was also asking about actual acquisition costs.

Would the same statement that you just made hold true for the actual acquisition cost, that Cigna does not have an expectation of a relationship between average wholesale price or actual acquisition cost but, in fact, those are two separate pieces?

MR. ST. PHILLIP: Whose acquisition cost?

MS. SCHOEN: Cigna's.

MR. NOTARGIACOMO: I'll object to the question.

MR. ST. PHILLIP: Could you read it back

for me, please.

(The court reporter read back.)

MR. ST. PHILLIP: So -- if you understand that, you can answer.

A. Yeah, I mean, I think that our acquisition costs are separate from AWP, and we don't have any expectations of what the relationship is between what we purchase the drug for versus what AWP is.

MR. WADE: Let me pause for one second.

(Discussion off the record.)

Q. You explained to me earlier the methodology that Cigna uses to reimburse pharmacies or historically has used since 1991, which was a percentage off of AWP plus a dispensing fee for branded drugs, and either a percentage off of AWP or a MAC list price plus dispensing fee for generic drugs.

Are there any other methodologies or ways that Cigna has reimbursed pharmacies from 1991 to the present for pharmaceutical products?

A. First of all, we don't reimburse. We pay. We make payments to retail pharmacies. There were a couple specific instances where we were providing a